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IN THE

Supreme Court of the United States

OCTOBER TERM, 1959

No. 911

JONES & LAUGHLIN STEEL CORPORATION, *Petitioner*

v.

HARDINGE COMPANY, INCORPORATED, *Respondent*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Jones and Laughlin Steel Corporation (defendant and appellant below) petitions this Court for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Third Circuit in the matter here involved.

OPINIONS BELOW

The decision of the United States District Court for the Western District of Pennsylvania is not supported by an opinion. The decision of the United States

Court of Appeals for the Third Circuit is reported in 124 U.S.P.Q. 323 and 275 Fed. 2d 37.

JURISDICTION

The judgment of the Court of Appeals was dated and entered on February 15, 1960.

The jurisdiction of this Court is invoked under 28 U.S.C. Section 1254(1).

QUESTIONS PRESENTED FOR REVIEW

The issue here relates primarily to supervision of the actions of a District Court in the interpretation of a penalty statute by which the District Court has (1) the duty to determine the applicability of the statute to the case before it, and, if the statute is found to apply, (2) the discretionary power to determine the scope of the penalty under that statute. The particular statute is 35 U.S.C. Section 285 which reads:

> "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

Abuse of discretion is not here in issue. Instead, Petitioner seeks a review of the refusal of the District Court to reach that finding as to the status of this case under the statute (35 U.S.C. § 285) which is necessarily prerequisite to the exercise of discretion.

The District Court and the Court of Appeals have treated the matter of attorneys' fees as of negligible importance and certainly one would not petition the highest court in the land if the issue were merely to determine whether one single litigant, among thousands, should get his attorneys' fees. On the other hand, if the decision not to award attorneys' fees is rationalized on a basis which includes placing extra-

judicial material on a higher probative plane than admissions against interest and condoning business practices contrary to the public policy of the United States, then issues of national concern are involved. These may be phrased as follows:

1. Shall our Government grant patents with the right to bring suit which the grant necessarily entails and then permit that privilege to be abused by those who do not respect the public policies of these United States without even acknowledging the existence of the section of the patent statute which Congress provided to protect against just such eventualities?

2. May a United States District Court ignore admissions against interest establishing a *prima facie* case of improper use of the patent monopoly, violation of the Robinson-Patman Act, and violation of the patent marking statutes to avoid defining a case as "exceptional" under 35 U.S.C. § 285 where the effect is to prevent the application of the penalty intended by Congress in the passage of 35 U.S.C. § 285 under the very circumstances envisaged in the legislative intent?

3. May a United States District Court in order to expedite the Court's business encourage a voluntary dismissal by ignoring evidence before it in favor of extrajudicial material where the effect is to establish a precedent condoning misuse of patents, mismarking under 35 U.S.C. § 292, price discrimination under 15 U.S.C. § 13(a), and misuse of the process of the courts?

STATUTES INVOLVED

The statutory provisions involved are Sections 285 and 292 of Title 35 and Section 13(a) of Title 15, all being printed in the Appendix, *infra*, pages 1a and 2a, except 35 U.S.C. § 285 which reads as follows:

> "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

STATEMENT OF THE CASE

In the present case, the defendant was sued for patent infringement. Defendant's proofs on discovery include admitted acts of the plaintiff-patentee which *prima facie* appear to constitute misuse of patents, violation of Federal statutes, and abuse of the process of a United States District Court. Defendant contended that these issues were such that patentee-plaintiff was guilty of unclean hands and had no status in a court of equity, and a motion for summary judgment so alleging was brought. That motion was denied on the ground that the admissions upon which defendant relied might be explainable by plaintiff. Thereupon a motion for severance was filed in order that the issues raised in the motion for summary judgment could be separately tried. This motion was granted. Pretrial proceedings were had in preparation for the trial on the issues of misuse and misconduct and heavy burdens were imposed by the Court on the plaintiff by reason of its admissions. At this stage plaintiff moved to dismiss under F.R.C.P. 41(a)(2). Defendant pointed to the existence of its counterclaim filed concurrently with defendant's answer on the basis of which the trial should continue despite the dismissal under F.R.C.P. 41(a)(2). The Court granted plaintiff's motion over objection and dismissed defendant's

counterclaim as moot. A motion of defendant for attorneys' fees under 35 U.S.C. § 285 was presented before final judgment and summarily denied without opportunity for hearing.

The Court of Appeals held that the award of attorneys' fees is "necessarily one based upon the court's discretion and its consideration of what constitutes an exceptional case under the statute cited." It then held that the exercise of discretion against the award was not one which the Court could say constituted an abuse of that discretion.

BASIS FOR FEDERAL JURISDICTION IN THE COURT OF FIRST INSTANCE

This case arose under the United States Code, Title 35.

REASONS FOR GRANTING THE WRIT

In the pretrial order there were established through admissions of the officers of plaintiff a *prima facie* case of misuse of patents, a *prima facie* violation of the Robinson-Patman Act, 15 U.S.C. 13(a), and a *prima facie* violation of the patent marking statute, 35 U.S.C. 292, as well as certain conflicting and unexplained statements under oath by the plaintiff-patentee which, unexplained, could amount to either a fraud on the Patent Office, a fraud on the Federal Court, or both. The plaintiff flooded the record with all sorts of purely extrajudicial expressions as to what it could prove at the trial but, in actual fact, plaintiff dismissed before it had offered any evidence. Thus, the record stands with no formally acceptable evidence therein to rebut the *prima facie* case made out solely by admissions against interest of the plaintiff. This is the state of

affairs that prevailed when the plaintiff sought to dismiss.

When the District Court permitted plaintiff to dismiss and refused to award any attorneys' fees under 35 U.S.C. § 285, it, in the language of the Court of Appeals, made a decision as to what constitutes an exceptional case and exercised discretion against an award. Exceptional, as used in the statute, is well defined both by reason of its legislative history[1] and court decisions involving it[2]. The consensus of case law relative to the cited statute is that such issues as fraud on the Court, on the Patent Office, misuse of patents, violation of Federal statutes, unclean hands or other misuse of the process of the Court are "exceptional" within the meaning of the statute. Actually, in the face of evidence before it, it is impossible to see how the Court could consider that the defendant had not qualified this case as "exceptional" under 35 U.S.C. § 285, for the only evidence in the case supports the case as exceptional. Consequently, the District Court must have decided, on some basis not of record, to spare the

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[1] Report No. 1587, 79th Congress, 2d Session, House of Rep. Report No. 1503, 79th Congress, 2d Session, Senate.

Extractions from correspondence file of Senate Judiciary Committee re H.R. 5311, correspondence between Committee and: Raymond G. Mullee; Los Angeles Patent Law Assoc.; Administrative Office of the United States Courts; and Barnes Drill Company.

H.R. 5311 showing Senate amendments, Report No. 1503.

[2] Pennsylvania Crusher Co. et al. v. Bethelehem Steel Co. et al., 193 F. 2d 445 (CCA 3).

Kobe, Inc., et al. v. Dempsey Pump Co. et al., 97 F. Supp. 342 (DC ND Okla.) Affirmed CCA 10, 198 F. 2d 416, Cert. denied 344 U.S. 837.

Seismograph Service Corp. v. Offshore Raydist, Inc., 263 F. 2d 5 (CCA 5).

E. V. Prentice Co. v. Associated Plywood Mills, Inc., 113 F. Supp. 182 (DC D. Ore.).

plaintiff stigma of 35 U.S.C. § 285 in order to spare the plaintiff the burden of attorneys' fees. It is right at this point that the error of which Petitioner complains becomes apparent.

The District Court was understandably eager to promote a disposition of the case that would avoid trial. Yet if the District Court sought to be merciful to a dismissing plaintiff in order to encourage prompt disposition of the Court's business, there was available to it a procedure which would involve no compromise with principle or encouragement to those in violation of the public policies of the United States. This procedure is analogous to the suspended sentence technique of the criminal law—the accused is held guilty in accordance with the evidence but sentence is suspended to do mercy. Here, if the evidence shows that the case qualifies as "exceptional", surely the Court's ruling must be consistent with the evidence and the case *must* be held to be exceptional. However, the Court, bearing in mind the desirability of encouraging dismissals before trial as a way of facilitating the disposal of the Court's business, *may* decide to make the actual award small or even nominal. If this device had been followed the result desired by the District Court could have been accomplished without compromise of principle. Instead, the District Court in this case rendered a decision which is an open invitation to a patentee who is guilty of misuse of his patents contrary to the avowed public policy of the United States or violation of Federal statutes to bring suit, to subject the defendant to great expense, and then voluntarily to dismiss before trial and to rely upon the precedent of this case to avoid the penalty that Congress intended him to suffer.

In this case the defendant would, of course, like to recover its attorneys' fees on a restitution basis but the

more important purpose of this petition is to establish the principle that a United States District Court may not ignore the evidence before it and thereby lend its process to the aid of those who conduct their affairs in a manner contrary to the public policies of the United States as expressed by the Congress and the Courts. Lest the *de minimus* arguments regarding attorneys' fees which were used so successfully below be again employed to becloud the principle involved, petitioner here and now agrees to accept any award which the District Court may regard as "reasonable" including a nominal one so long as the case is determined to be "exceptional" within the meaning of 35 U.S.C. § 285 and in accordance with the evidence of record. While such a ruling is not fully satisfactory to the individual litigant it will prevent this case from remaining a precedent for ruling contrary to the evidence in a misguided attempt either to do mercy or to avoid establishing any penalty which would tend to discourage dismissals. If we are to maintain the integrity of our District Court system, the party who voluntarily dismisses with a *prima facie* "exceptional" case against him must be told that the Court cannot condone such conduct even though the judge has broad discretion in determining what is "reasonable" and, hence, may exercise such mercy as the case may, in his opinion, require.

CONCLUSION

For the foregoing reasons, it is respectfully urged that this petition be granted.

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APPENDIX

28 U.S.C. § 1254 Court of Appeals; certiorari; appeal; certified questions

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree.

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35 U.S.C. § 292 *False marking*

(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, or sold by him, the name or any imitation of the name of the patentee, the patent number, or the words "patent," "patentee," or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made or sold by or with the consent of the patentee; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word "patent" or any word or number importing that the same is patented, for the purpose of deceiving the public; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words "patent applied for," "patent pending," or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than $500 for every such offense.

(b) Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States. (R. S. 4901; 35 U. S. C., 1946 ed., 50.)

15 U.S.C. § 13 Discrimination in price services or facilities—Price; selection of customers

(a) It shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities of like grade and quality, where either or any of the purchases involved in such discrimination are in commerce, where such commodities are sold for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, and where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy, or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them: *Provided*, That nothing contained in sections 12, 13, 14-21, and 22-27 of this title shall prevent differentials which make only due allowance for differences in the cost of manufacture, sale, or delivery resulting from the differing methods or quantities in which such commodities are to such purchasers sold or delivered: *Provided, however*, That the Federal Trade Commission may, after due investigation and hearing to all interested parties, fix and establish quantity limits, and revise the same as it finds necessary, as to particular commodities or classes of commodities, where it finds that available purchasers in greater quantities are so few as to render differentials on account thereof unjustly discriminatory or promotive of monopoly in any line of commerce; and the foregoing shall then not be construed to permit differentials based on differences in quantities greater than those so fixed and established: *And provided further*, That nothing contained in sections 12, 13, 14-21, and 22-27 of this title shall prevent persons engaged in selling goods, wares, or merchandise in commerce from selecting their own customers in bona fide transactions and not in restraint of trade: *And provided further*, That noth-

ing contained in sections 12, 13, 14-21, and 22-27 of this title shall prevent price changes from time to time where in response to changing conditions affecting the market for or the marketability of the goods concerned, such as but not limited to actual or imminent deterioration of perishable goods, obsolescence of seasonal goods, distress sales under court process, or sales in good faith in discontinuance of business in the goods concerned.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 12,983

HARDINGE COMPANY, INCORPORATED

v.

JONES & LAUGHLIN STEEL CORPORATION, *Appellant*

Appeal From the United States District Court for the Western District of Pennsylvania.

Argued February 2, 1960

Before GOODRICH, HASTIE and FORMAN, *Circuit Judges*.

Opinion of the Court

(Filed February 15, 1960)

PER CURIAM

This is an appeal from a judgment of the District Court for the Western District of Pennsylvania which denied award of attorney fees in a patent case. The suit was the usual type for a patent infringement. The case went through the process of discovery and there was a pre-trial conference and a pre-trial order. Facts appeared on which the defendant based a claim of misuse of patents and other matters. Following the pre-trial conference, the plaintiff

moved to dismiss and the court granted the motion to dismiss but with prejudice. The court denied the defendant counsel fees under 35 U.S.C.A. § 285. Such an award is necessarily one based upon the court's discretion and its consideration of what constitutes an exceptional case under the statute cited. We do not think that the exercise of the court's discretion against such an award in this instance is one which we can say constituted an abuse of that discretion. The judgment will be affirmed.

A True Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

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HARDINGE COMPANY, INCORPORATED, *Respondent*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

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BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

While the decision of the United States District Court for the Western District of Pennsylvania is not supported by an opinion, the Order denying Petitioner's Motion was based upon prior dismissal of the suit. (Joint Appendix page 358a).

JURISDICTION

The jurisdiction requisites are adequately set forth in the Petition.

QUESTION PRESENTED FOR REVIEW

The question which Petitioner is in fact asking this Court to review is whether the Court of Appeals erred in its conclusion that the Trial Court did not abuse its discretion in denying Petitioner's Claim for attorneys' fees.

According to the United States Court of Appeals, abuse of discretion of the District Court is the sole issue. It held:

> "This Court denied the defendant counsel fees under 35 U.S.C. Section 285. Such an award is necessarily one based upon the court's discretion and its consideration of what constitutes an exceptional case under the statute cited. We do not think that the exercise of the court's discretion against such an award in this instance is one which we can say constituted an abuse of that discretion."

The problem involves not only Petitioner's filing of a Motion for Attorney's Fees under 35 U.S.C. Section 285, but also Respondent's prior filing of a Motion to Dismiss under Rule 41(a)(2) of the Federal Rules of Civil Procedure.

STATUTES INVOLVED

The statutory provisions involved are as stated in the Petition and the following in addition. Federal Rules of Civil Procedure 13(a) and 41(a)(2) of Title 28 United States Code. These Rules are printed in the Appendix, infra, page 1a.

STATEMENT OF THE CASE

Lest the facts, as stated by Petitioner, be misleading, Respondent is owner of two patents which he honestly believed to be infringed by Petitioner. Petitioner is a purchaser and user of the alleged infringing systems and Petitioner was held harmless against infringement by Aerofall, a Canadian corporation selling in the United States.

The incomplete facts as stated by Petitioner, follow the pattern of his action before the Court of Appeals. Moreover, in the District Court, Petitioner diverted the court's attention, for a long time, from the principal issues of alleged infringement, then directing the court's attention to fabricated issues of patent usage, marking and alleged abuse of process of the court. The allegation of abuse of process has long since been withdrawn by Petitioner (Joint Appendix page 162a Paragraph IV) but is now inexplicably revived.

What then commenced as a bona-fide patent suit in the Spring of 1957 developed into exhaustive scrutiny of the Respondent-patentee and his company to the extent that one of the Respondent's patents expired (Joint Appendix page 117a) and the other would have expired ere completion of trial on the merits. It was ascertained, during respondent's discovery, that the second of the two patents was probably not infringed due to changes made in the Petitioner's accused grinding mill system. Petitioner admitted discontinuance of manufacture of "anything up there that could con-

ceivably be infringing" (Joint Appendix page 118a). Little then remained of the opportunity for speedy trial on the merits; little remained of the patent case which was pending two years and far from trial on the merits. Accordingly, in 1959 Respondent sought to rid himself of the monetary expense which the completion of this litigation would entail. Since the advantages of winning a case on the merits were out-weighed by the cost of prosecution, Respondent filed his Motion to Dismiss. (Joint Appendix pages 353a-354a). Significant is the fact that this Motion was patterned after decision in Ransburg Electro-Coating Corp. v. Hamilton Mfg. Co. (E.D. Wisc. 1958) 159 F. Supp. 159.

Petitioner filed a Motion for Summary Judgment upon "unclean hands" issues in the Spring of 1958 and the District Court received carefully prepared briefs from both parties and in May entertained exhaustive argument on said motion prior to denying same. (Joint Appendix pages 99a-135a).

It was at this time, and later (Joint Appendix pages 165a-166a) that the Court had before it a full statement of Respondent's policy with regard to pricing and use of patents which was eminently justified in view of: the nature of Respondent's business which involves manufacturing and selling large items of a custom-built nature; the comparative small size of the Respondent company, relative to other manufacturers of grinding mills; the patent history of Respondent company and its heavy reliance upon its patent program to give it the necessary standing. As to the marking question

the court noted Respondent's marking to be normal (Joint Appendix pages 174a and 175a; 333a and 334a).

Subsequently, the District Court considered the extensive and explanatory statements on pre-trial, Respondent's pre-trial statement alone consisting of over 25 pages of the current record transcript (Joint Appendix pages 164a-189a) and itself found that one patent had expired pendente lite. Evidence appeared showing the apparent non-infringement of the other two patents.

The significant factor is that Petitioner would have this court to understand that it had been denied hearing on the issue of attorneys' fees, when in fact the principal argument of petitioner at the hearing on Respondent's Motion to Dismiss was on the very subject of attorneys' fees and why Petitioner felt entitled to them. This was explained to the Court of Appeals as follows:

> "A hearing on Plaintiff's Motion to Dismiss was held on June 18, 1959. At the hearing defendant presented to the lower court the same arguments for an award of attorneys' fees, including its claim thereto under 35 U.S.C. 285 that it now presents to this Court. Defendant opposed the granting of plaintiff's Motion to Dismiss unless the court imposed on plaintiff, as a further condition of dismissal, the payment of some $70,000 of counsel fees and expenses allegedly incurred by Aerofall in defending this suit on behalf of the defendant, Jones & Laughlin Steel Corp. After full consider-

ation of the arguments of counsel and the facts of record in this proceeding, the lower court held at the conclusion of the hearing that it would grant plaintiff's Motion for voluntary dismissal upon submission of an order that incorporated the following changes in the conditions proposed by plaintiff: (1) a dismissal of the complaint 'with prejudice', rather than 'without prejudice', and (2) the payment of $5,000 to defendant, in lieu of "taxable costs".

Plaintiff accepted these changes; and on June 19, 1959 the day following the hearing, plaintiff submitted to the lower court the conditional order of dismissal that was approved and entered by the court that day, along with its memorandum opinion (Appendix, pages 354a-356a).

On the same day, June 19, 1959, defendant filed a motion for payment of attorneys' fees under 35 U.S.C. 285 (Appendix, pages 356a-357a)—a matter that had been fully argued at the hearing the day before. The lower court denied defendant's motion that same day, on the ground that the order of dismissal had already been entered (Appendix, page 358a)" [From pages 4 & 5, Respondent's Brief for Appellee in the United States Court of Appeals for the Third Circuit No. 12,983.]

The District Court had thus heard Petitioner's arguments. A copy of the Motion for Attorneys' Fees was apparently delivered directly to the chambers of the

District Court Judge after these arguments and he in turn denied the Motion for Attorneys' Fees stating:

"And now this 19th day of June, 1959, the Order of Dismissal having been entered, it is ordered that the within Motion for Attorneys' Fees be and the same hereby is, denied."

Petitioner had thus had its day in court.

ARGUMENT

The sole question presented by the Petition is whether the District Court abused its discretion in refusing to award Petitioner attorneys' fees.

The very stating of the question answers it in the negative. No constitutional question is here involved; no conflict of courts of different circuits over the construction of a Federal Statute exists. The Court of Appeals had before it the entire record and extensive briefs of the parties and upon full review following oral argument determined that there was no abuse of discretion. No compelling reason is given why further review is either necessary or appropriate.

How many, many times the District Court considered at length the questions leading to refusal of attorneys fees is evident from reference to the Statement of Facts above.

No prima facie case was established by Petitioner on its allegations of misuse, mismarking, price discrimination and misuse of process of the courts. The District Court and the Court of Appeals refused to

recognize the existence of such a prima facie case. Petitioner in an attempt to show a prima facie case relied upon unproved allegations, in most instances, clearly contradicted by documentary exhibits introduced by Respondents at Pre-Trial hearings.

One must search in vain to find such evidence as will qualify this case as "exceptional" within the meaning of 35 U.S.C. 285. Typical of the misleading argument of Petitioner is the following appearing at page 7 of its Petition:

> "Instead, the District Court in this case rendered a decision which is an open invitation to a patentee who is guilty of misuse of his patents contrary to the avowed public policy of the United States or violation of Federal Statutes to bring suit, to subject the defendant to great expense, and then voluntarily to dismiss before trial and to rely upon the precedent of this case to avoid the penalty that Congress intended him to suffer."

No guilt has been established by Petitioner of Respondent. On the contrary, the record is replete with explanatory exhibits such as remove any stigma of guilt or mala fides. Respondent-patent owner intended to hold its best witnesses for trial, and not to develop its case out of court as did Petitioner. Petitioner, on the other hand, would have this Court consider that during discovery it had established "guilt", but nothing in the record does so; nor did the courts below fail to observe and hear argument based upon all dis-

covery documents within the record. (Joint Appendix).

Congress did not intend that 35 U.S.C. § 285 be applied to the unproved, imagined or fabricated case of statutory violation, and Respondent is surprised that Petitioner shall impute "guilt" of Respondent so prematurely. "Guilt", as alleged by Petitioner, connotes criminal violation, and intent, but this has not been proved, nor is Petitioner deprived of this opportunity. The House Committee on Patents Report No. 1503, which Petitioner relies upon, calls for a judgment being first rendered on the issues, before the Court may exercise its discretion with respect to attorneys' fees. It is grossly unfair, then, for Petitioner to exact such an award before judgment. The entire petition is thus based upon an erroneous concept of the alleged infringer's interpretation of 35 U.S.C. § 285.

The Motion to Dismiss awarded costs to Petitioner of $5,000—which, in view of Petitioner having assumed the risk of infringement and having been sued for same, was most generous. Although Petitioner apparently would not have this Court consider the Motion to Dismiss, Respondent believes that consideration thereof is imperative to intelligent disposal of the present Petition.

The Motion to Dismiss, as amended by the Court and agreed to by the Respondent under Order of June 19, 1959, contained safeguards guaranteeing defendant against future action; it contained cost payment to petitioner, aforesaid, and it even included indemnifi-

cation for the silent and unofficial defendant, Aerofall, as well as customers of Aerofall. (Joint Appendix, pages 353a and 354a). The District Court's Order dismissing the suit was therefore based upon Respondent's original Motion, and negotiations precedent to and during argument before the District Court on June 18, 1959. Petitioner now seeks in effect to reopen matters that have been most carefully weighed in arguments on the Motion, and upon consideration of applicable case law.[1]

As a basis for its attorneys' fees, petitioner has relied upon its Counterclaim, in which the prayer for attorneys' fees resides. As early as one month before trial, the District Court considered the question of attorneys' fees under a proffered consent decree of Defendant dated May 8, 1959 (Not in the record) and hearing conducted on May 26, 1959 (Joint Appendix page 9a). These factors are now overlooked by Petitioner. Additionally, the prayer for attorneys' fees within the counterclaim had not been elevated to the status of a claim, thus the prayer was immature.[2] Obviously, it could mature only upon Respondent-patentee's failure to prevail in the trial which was set for the issues of misuse,

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[1] These principles are expressed in Union National Bank of Youngstown, Ohio vs. Superior Steel Corporation, DCWD Pa. 1949 (9 FRD 117). See also: Ramsburg Electro-Coating Corp. v. Hamilton Mfg. Co. 159 F. Supp. 159; Philadelphia Gear Works, Inc. v. Kerotest Mfg. Co., 101 F. Supp. 820; Home Owners Loan Corp. v. Huffman, 134 F. 2d 314, 317.

[2] Rule 13 Federal Rules of Civil Procedure, Title 28 United States Code.

etc.—failure of Respondent to prevail was moreover an entirely speculative matter. Bearing in mind Federal Rule of Civil Procedure 13, all basis for attorneys' fees collapsed as non-existent on the grounds that a counterclaim includes any claim which, at the time of serving, the pleader has against the opposing party.[a] It would be folly to assume, as Petitioner requests, that at its time of serving the counterclaim, it had a basis for attorneys' fees against Respondent, and it is folly to assume that its allegations of statutory violation are sufficient "judgment" to give the District Court a basis for awarding the attorneys' fees as requested.

Respondent does not take issue with Petitioner's definition of the type of case involving exercise of the Statute 35 U.S.C. § 285, nor does it find the case law relied upon to be in error. Rather, each of the cases relied upon by Petitioner and cited at page 6 of its Brief, holds to the principle that defendant would suffer a gross injustice unless attorneys' fees were awarded. Unproven allegations of unclean hands do not give to any defendant, qualification under the doctrines of the case law, whereby the statute may be invoked against patentee. No fraud or vexatious litigation has been proved, such as would place defendant triumphantly within the significant decision of Pennsylvania Crusher Company et al. vs. Bethlehem

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[a] Goodyear Tire & Rubber Co. v. Marbon Corp., 32 F. Supp. 279; Roberts Mining & Milling Co. v. Schrader, 95 F. 2d 522; Moore's Federal Practice, 2d Edition, Vol. III, pp. 85-86.

Steel Co. et al. (C.A. 3, 1951), 193 F. 2d 445. The numerous offers to settle by Plaintiff ante and pendente lite clearly remove this action from the ambit of "vexatious litigation". And the discretionary action of the District Court finds legal precedent in Dixie Cup Co. vs. Paper Container Mfg. Co., 175 F. 2d 834; Jacquard Knitting Co. v. Ordnance Gauge Co., 213 F. 2d 314, 317 and Park-In Theatres, Inc. v. Perkins, 190 F. 2d 137.

This case as previously argued falls within the ambit of Laufenberg, Inc. vs. Goldblatt Bros., Inc., wherein it was held bad practice to litigate patent questions and then litigate the question of attorneys' fees, a decision that was followed in the Philadelphia Brief Case Co. case tried in the Third Circuit in 1958.

CONCLUSION

Petitioner is the alleged wrongdoer but would have the courts each overlook this and divert full their attention to Respondent in an effort to recover attorneys' fees; all contrary to the language of the Laufenberg decision supra. Petitioner succeeded in destroying a bona fide patent suit by expensive counter charges, but should not be permitted to succeed in obtaining a ruling for attorneys' fees when no misconduct of Respondent has been proven to substantiate the numerous alleged violations.

In virtually each of the cases cited by Petitioner, proof of the accused acts was required to qualify the cases as "exceptional" under 35 U.S.C. 285. No at-

torneys' fees have been ordered under Petitioner's case law, as a matter of course. Pennsylvania Crusher Co. et al. v. Bethlehem Steel Co. et al., 193 F. 2d 445. In the Kobe decision, attorneys' fees were awarded upon the basis of a proved monopoly and the bringing of suit in furtherance of monopoly. Kobe, Inc. et al. v. Dempsey Pump Co. et al., 97 F. Supp. 342. The Seismograph decision (Seismograph Service Corp. v. Offshore Raydish, Inc. 263 F. 2d 5), as the others, stands for the correct interpretation of the Statute which invokes its power to penalize proven fraud, subterfuge and vexatious litigation. In E. V. Prentice Co. v. Associated Plywood Mills, Inc., 113 F. Supp. 182, it was held that defendant was "... guilty of such unfairness and inequitable conduct that it would be grossly unjust for Prentice to bear the burden of its own attorneys' fees."

None of the following decisions relied upon by Respondent is in conflict with Petitioner's case law or with the legislative intent. Rather, these decisions stand for the principle that if the conditions upon which suit is dismissed put defendant in the same position that it would be in if the substantive issues on the case were tried and Defendant prevailed on those issues, then Defendant cannot complain.[4]

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[4] Laufenberg, Inc. v. Goldblatt Bros., Inc. (C.A. 7, 1951), 187 F. 2d 823.

Philadelphia Gear Works, Inc. v. Kerotest Mfg. Co. (W.D. Pa., 1951), 101 F. Supp. 820, 822.

Ransburg Electro-Coating Corp. v. Hamilton Mfg. Co. (E.D. Wisc., 1958), 159 F. Supp. 159.

The Court of Appeals simply ruled that "in this instance there was not abuse of discretion (Petitioner's Brief Appendix page 4a). It is thoughtless to say that abuse of discretion is not in issue, and this Brief has been drafted to define just what the Court of Appeals meant by succinctly opining as it did. (Appendix infra page 3a).

Since the District Court had carefully reflected upon brief and arguments on Petitioner's Motion for Summary Judgment, Pre-Trial Statements of the parties, arguments on Motion to Dismiss, all containing information relative to attorneys' fees and since the District Court found no abuse of discretion, the Petition for a Writ of Certiorari should be denied.

Respectfully,

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Washington 6, D. C.,
Attorney for Respondent.

APPENDIX

APPENDIX

FRCP 13(a)

Compulsory Counterclaims. A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction, except that such a claim need not be so stated if at the time the action was commenced the claim was the subject of another pending action. As amended Dec. 27, 1946, eff. March 19, 1948.

FRCP 41(a)(2)

By Order of Court. Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice.

Excerpt from Senate Report No. 1503, 79th Congress, Second Session—June 14, 1956 (page 2):

> "By the second Amendment, the provision relating to attorneys' fees is made discretionary with the court. It is not contemplated that the recovery of attorneys' fees will become an ordinary thing

in patent suits, but the discretion given the court in this respect, in addition to the present discretion to award triple damages, will discourage infringement of a patent by any one thinking that all he would be required to pay if he loses the suit would be a royalty. The provision is also made general so as to enable the Court to prevent a gross injustice to an alleged infringer."

UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

No. 12,983

HARDINGE COMPANY, *Incorporated*,

v.

JONES & LAUGHLIN STEEL CORPORATION, *Appellant*

Appeal from the United States District Court for the Western District of Pennsylvania

Argued February 2, 1960

Before GOODRICH, HASTIE and FORMAN, *Circuit Judges.*

OPINION OF THE COURT

(Filed February 15, 1960)

PER CURIAM

This is an appeal from a judgment of the District Court for the Western District of Pennsylvania which denied award of attorney fees in a patent case. The suit was the usual type of a patent infringement. The case went through the process of discovery and there was a pre-trial conference and a pre-trial order. Facts appeared on which the defendant based a claim of misuse of patents and other matters. Following the pre-trial conference, the plaintiff moved to dismiss and the court granted the motion to dismiss but with prejudice. The court denied the defendant counsel fees under 35 U.S.C. Section 285. Such an award is necessarily one based upon the court's discretion and its consideration of what constitutes an exceptional case under the stat-

ute cited. We do not think that the exercise of the court's descretion against such an award in this instance is one which we can say constituted an abuse of that discretion. The judgment will be affirmed.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit

(678-3)